

Transcript Prepared By the Clerk of the Legislature
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Appropriations Committee
February 04, 2016

[LB809]

The Committee on Appropriations met at 1:30 p.m. on Thursday, February 4, 2016, in Room 1003 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB809. Senators present: Heath Mello, Chairperson; Robert Hilkemann, Vice Chairperson; Kate Bolz; Tanya Cook; Ken Haar; Bill Kintner; John Kuehn; and John Stinner. Senators absent: Dan Watermeier.

SENATOR MELLO: Good afternoon and welcome to the Appropriations Committee. My name is Heath Mello. I'm from south Omaha, representing the 5th Legislative District and serve as Chair of the Appropriations Committee. I'd like to start off today by having members do self-introductions, starting first on my far left. Senator Bill Kintner from District 2 will be joining us shortly.

SENATOR COOK: Senator Tanya Cook, District 13 in Omaha.

SENATOR KUEHN: Senator John Kuehn, District 38, seven counties in south-central Nebraska.

SENATOR HILKEMANN: Senator Robert Hilkemann, District 4, which is west Omaha.

SENATOR STINNER: John Stinner, District 48, Scotts Bluff County.

SENATOR BOLZ: Senator Kate Bolz, District 29, south-central Lincoln.

SENATOR HAAR: Ken Haar, Legislative District 21, and lame duck. (Laughter)

SENATOR MELLO: Sitting next to Senator Haar is Senator Dan Watermeier from the 1st District. He is introducing a bill and will be joining the committee shortly. Assisting the committee today is Laurie Vollertsen, our committee clerk, and our committee page is Julia. Our fiscal analyst to start off the afternoon is Doug Gibbs. On the cabinet to your right you'll find some yellow testifier sheets. If you're planning on testifying today, please fill out one of the sheets and hand it to the page when you come up. It helps us keep an accurate record of today's public hearing. There's also a white sheet on the cabinet if you do not wish to testify but would like to record your position on a specific legislative bill. When we hear testimony regarding state agencies, we will first hear from a representative of that state agency. We will then hear testimony from anyone who wishes to speak on that agency's budget request. We will begin bill testimony with the introducer's opening statements. We'll then hear from supporters of the bill, followed by those in opposition and those speaking in the neutral capacity. We'll finish with a

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closing statement by the introducer if they so wish to give one. We ask that you begin your testimony by giving us your first and last name and spelling it for the public record. If you do have any handouts, please bring at least 11 copies and give them to our page Julia. If you do not have enough copies, please let her know and she will make more for the committee. We will be using a five-minute light system today for all testifiers other than the introducer of a legislative bill or an agency representative. When you begin your testimony, the light on the table will turn green. When the yellow light comes on, it is your one-minute warning. And when the red light comes on, we ask that you wrap up with your final thoughts. At this time, I would ask all of us to look at our cell phones and please make sure they are on the silent and/or vibrate mode. And with that, at this time we are going to begin today's public hearing. We do have a little bit of a change in regards to our agenda. We'll start off first with LB809 from Senator Davis, and then we will go through our agencies in order as they're listed outside. With that, welcome to the Appropriations Committee, Senator Davis.

SENATOR DAVIS: Good afternoon, Chairman Mello, members of the Appropriations Committee. I am Senator Al Davis, A-l D-a-v-i-s, from District 43. This is my third bill like this before this committee; introduced one two years ago, last year then again, and then this time around. So we can look at it in some respects as a placeholder bill, if you'd like. But as many of you know, we spent a great deal of time this summer working on the issue of property taxes. It's been a focus of this Legislature for a number of years. And while all the hard work that was done has produced some results, in many, many ways and in many, many respects the problem is an intractable problem without doing some other fundamental change. So the purpose of this bill is essentially kind of a placeholder position to say, you know, this is an easy solution. If we're going to try to deal with property tax, this is one easy solution that's out there. With that, that's really the testimony that I have to give. [LB809]

SENATOR HILKEMANN: Are there questions of Senator Davis? Go ahead, Senator Haar. [LB809]

SENATOR HAAR: Thank you. Just since, like I say, I'm a lame duck, do you see that it's going to be harder to make fundamental changes with term limits going on now? [LB809]

SENATOR DAVIS: Certainly do, yes. [LB809]

SENATOR HAAR: Talk just a little, just a minute or two about that. [LB809]

SENATOR DAVIS: Well, I think when you run for office the first time for a position, you think that you're going to come into a body and you can really make significant changes. But you don't realize all the history and all the things that are there before you and it takes years and years to

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do that. So I think a lot of people come in here with promises that they have made to people when they're running for election the first time around. After you've been here a number of years you start realizing, I'm not going to be able to do all those things. And so as time goes on, people become more protective of the state funds, I guess is what I would say. And so sitting in the Revenue Committee--I talk about this all the time--I said it's really not revenue; it's tax exemptions. You know, so at some point when do we change that and say, you know, we've got to deal with fundamental issues of school finance and things? Go back, a bill I introduced in Education last week to take funding level back to...for the special education programs in the state of Nebraska back to where it was in the '90s when they funded it at about 80 percent. Now it's about 52 percent that the state puts in. That amounts to \$130 million that is funding that has been thrust down upon the local school districts, so we're going to have to deal with that. But I do think term limits really complicate it. [LB809]

SENATOR HAAR: Thank you. [LB809]

SENATOR HILKEMANN: Senator Bolz. [LB809]

SENATOR BOLZ: I'm curious, Senator Davis, and I (inaudible). I'm just interested from your perspective as a Revenue Committee member, do you see any opportunity in the future, if we continue to invest in the Property Tax Credit Program, to evolve the Property Tax Credit Program or to use resources (inaudible) towards the Property Tax Credit Program for more targeted initiatives? I'm just wondering if you see an opportunity to build towards something else by continuing to invest in the program. Does that makes sense? [LB809]

SENATOR DAVIS: Can you refine the question a little bit? [LB809]

SENATOR BOLZ: So there are people who have talked to me about the Property Tax Credit Program and said, Senator Bolz, you should continue to invest in the Property Tax Credit Program and someday in the future we'll be able to use those resources in a more targeted way. Do you agree, disagree, have an opinion on that? [LB809]

SENATOR DAVIS: Well, I think there's some merit to that discussion, yeah. You know, I thought about saying, okay, well, we'll take money from the Property Tax Credit Fund and put that into the special education piece because that is one source of revenue that we could use. You know, not knowing what the body is going to do, I decided I would lay that before the Education Committee and let them think about it. But you know, if we decide...if we reach a point where we say, okay, we are going to fix...we're going to fix the school aid problem, we're going to have to go to the Property Tax Credit Fund to do that. [LB809]

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SENATOR BOLZ: Uh-huh. That's helpful. Thank you. [LB809]

SENATOR HILKEMANN: Senator Kintner. [LB809]

SENATOR KINTNER: Let me take hers and change it. Instead of targeted taxes, do you see an opportunity for broad-based tax relief for everybody? What's...I mean what do you see in the future from what you've seen in Revenue? [LB809]

SENATOR DAVIS: So, Senator Kintner, I think property tax is really a benefit for everybody, you know? [LB809]

SENATOR KINTNER: It's broad based. [LB809]

SENATOR DAVIS: It's a broad-based fix. I think we're going to need to look at probably broadening our sales tax base somehow. Nobody likes to impose new taxes but we have obligations that have to be met, infrastructure needs. And we did that last year. We had the gas tax, which was unpalatable for some people but was really a necessary and needed thing in order for us to move forward with our infrastructure improvements. If we're going to invest in education, we're going to have to find the revenue somewhere. [LB809]

SENATOR KINTNER: Okay. [LB809]

SENATOR HILKEMANN: Additional questions for Senator Davis? [LB809]

SENATOR COOK: I have a question. [LB809]

SENATOR HILKEMANN: Senator Cook. [LB809]

SENATOR COOK: Thank you, Senator Hilkemann. And thank you, Senator Davis. When you came up with the number \$50 million, is that derived from any analysis or is it a nice round number to get us going in the right direction? [LB809]

SENATOR DAVIS: So I would say it's a nice round number. (Laughter) [LB809]

SENATOR COOK: Okay. I think so too. Thank you. [LB809]

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SENATOR DAVIS: I could have said \$100 million. [LB809]

SENATOR COOK: Sure. Thank you. [LB809]

SENATOR DAVIS: That's got two more digits, so. [LB809]

SENATOR HILKEMANN: Now, Senator, I want to understand, this \$50 million you're putting on top of what this Appropriations Committee already.. [LB809]

SENATOR DAVIS: Correct. [LB809]

SENATOR HILKEMANN: Senator, does it concern you that...I represent an area where we've got a lot of young families and so forth that are, you know, they're probably making I guess the income in my neighborhood is \$80,000 to \$90,000 in my district. And this property tax relief does not mean nearly as much to them as it does to people who own farmland or things of that sort. Is that...does that ever...that concerns me. Does it ever concern you? [LB809]

SENATOR DAVIS: Well, Senator Hilkemann, I would say this; that in a large number of portions of the state, funding the school system is essentially completely on the back of the property taxpayer. That isn't true in your district, and if it were true in your district where that property had to pay all that tax, your constituents would be screaming at you just as much as mine are screaming at me. So in my district, and I did look at this data one time before. Your district has an income...an average family income over \$100,000. [LB809]

SENATOR HILKEMANN: Uh-huh. [LB809]

SENATOR DAVIS: There are other districts in the state, including mine, that are in the forties. So, you know, the ability to pay is reduced. Do you understand what I'm saying there? I mean if you've got property and it's got to pay taxes, but you only have an income of \$43,000 as opposed to one of \$100,000, you need...that's where you need the relief. [LB809]

SENATOR HILKEMANN: Okay. [LB809]

SENATOR DAVIS: Am I making myself understood? [LB809]

SENATOR HILKEMANN: I would...you said something that...what...you said that we have sources of revenue for our schools other than property tax. I'm... [LB809]

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SENATOR DAVIS: So the state puts around \$900-and-some million into TEEOSA funding, of which, you know, there are 245 schools districts of which roughly 70 or so are equalized districts. The others are nonequalized. And then the nonequalized districts, it's basically this property tax that funds almost all the education. [LB809]

SENATOR HILKEMANN: Okay. Okay. Are there other questions of Senator Davis? Seeing none, are there other proponents for... [LB809]

SENATOR DAVIS: I will waive closing because I'm going to go down to listen to the Governor. [LB809]

SENATOR HILKEMANN: Okay. Thank you. [LB809]

SENATOR DAVIS: Thank you. [LB809]

SENATOR HILKEMANN: Are there other proponents for LB809? [LB809]

SENATOR HAAR: Let Senator Davis know that we let him off easy. (Laughter) [LB809]

SENATOR HILKEMANN: Seeing no further proponents to come for LB809, are those who are opposed to LB809? Is there anyone here in the neutral position on LB809? Seeing none, we'll close the public hearing on LB809 and we will begin with Agency 16, the Department of Revenue. And I, oh, I'm sorry, I need to read, yeah, I need to read this into the record, right? Well, I'm going to backstep here, but this one needed to be read. I need to read into the record a letter for...on LB809. I need to read this into the record. (Exhibit 1) Received this from Bob Hallstrom. Said: I write on behalf of the Nebraska Federation of Independent Business to express our support of LB809 that is being heard before Appropriations this afternoon. The small business owners and members of NFIB have clearly indicated that the Legislature should adopt a significant tax relief package, consisting of both property tax relief and individual and corporate income tax rate reductions. Such action will serve to place more funds in the hands of taxpayers to spur our state's economy. The proposal before the committee provides additional funding of \$50,000 annually for property tax relief. NFIB would welcome the opportunity to work with the Appropriations Committee and the Legislature in drafting a reasonable, meaningful tax relief package that will spur population and economic growth in our state. We respectfully request the advancement of LB809 to General File for further consideration. Bob Hallstrom. I'm sorry for that. And that will now end the hearing on LB809. Now let us go to Agency 16. We'll begin. [LB809]